

HONOLULU ADVERTISER (HI)
28 March 1984

FILE ONLY

~~8~~ from CIA seen as Rewald investors

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Eight of the 318 investors in Ronald Rewald's company were CIA personnel, and they placed something less than \$500,000 with the company, according to an official familiar with the case.

Two of the Central Intelligence Agency investors are already known — former Honolulu station chiefs John Kindschi and Jack Rardin.

A third CIA investor is described as a bona-fide CIA agent who was not on the company payroll but did use Rewald's firm — Bishop Baldwin Rewald Dillingham & Wong — as a cover.

Five other CIA employees were reportedly persuaded to invest in the company by the CIA agent.

They all are said to claim that they thought they were making wise investments of their personal funds, and were no brighter than the other 310 investors who lost close to \$12 million.

But Rewald, in a \$671 million lawsuit against the CIA, is trying to prove that the money from the CIA personnel, and more, was just CIA funds pumped into the company to finance CIA operations. The CIA, Rewald insists, was his partner and caused the downfall of his company.

Rewald faces trial in June on state charges he stole investor money. The bankruptcy trustee in the case says Rewald diverted \$4.6 million from the \$20 million investor accounts to himself for "personal spending."

Rewald says the CIA and its representatives used Bishop Baldwin investment accounts and other investments to shelter the money of highly placed foreigners and for the CIA's own use.

"Bishop Baldwin's main depository account," Rewald's suit says, "consisted of (1) funds from legitimate investors; (2) funds from the CIA, and (3) cover funds from highly placed foreigners."

Rewald says the money was used to meet company overhead, to make legitimate investments and for "CIA-directed projects."

The bankruptcy trustee says that little or no investor money ever was invested in anything and that the only CIA money he could find was \$2,744 used to reimburse Rewald for telephone and Telex bills.

Rewald's Honolulu attorney, Robert Smith, said yesterday that he intends to follow investors' dollars back to their ultimate source, "and there are a number of names I can put on a list of suspects." Smith's investigator, Dirk Von Gunther, already has asked bankruptcy officials for company records regarding the deposits of several individuals.

The search puts the CIA in a ticklish position, even if the investments were innocent, because it could lead to exposure of employees and agents.

Some of the CIA personnel who invested got their money back; others left it in.

Retired Honolulu station chief Kindschi put in \$185,000 and withdrew \$175,000, including \$140,000 just before the company shut down in August. Kindschi had another account jointly with Hazel Kindschi in which \$40,000 was deposited and withdrawn.

John Kindschi, after retiring from the CIA, was a \$60-an-hour "consultant" with Rewald's company. Rewald says Kindschi was also a member of its board of directors. Kindschi was paid more than \$68,000 by

the company for his services.

After the company closed, it was Kindschi's complaints to authorities that led to filing of state theft charges against Rewald.

Former Honolulu station chief Rardin, transferred to another CIA assignment recently, shows up on the company books as an investor of \$1,500 who withdrew \$2,328 in May.

And the full-fledged CIA agent who invested also withdrew not only his deposit but also the "interest" which Rewald was promising all investors, an official said.

The agent withdrew the money early last year after the CIA discovered that the Internal Revenue Service was investigating Rewald and took steps to get its agent clear of the company, the official said.

Given Rewald's admitted connections with the CIA, it is not surprising that as many as eight CIA employees ended up as investors in the company, according to one former employee of the agency. *666*

"There are hundreds of CIA personnel who come to Hawaii," this source said. "It's a perfect base for operations into the Pacific and Asia."

And, he said, despite all the mystique that surrounds them, CIA employees are no strangers to investment disasters.

"At least 150 CIA people in one office I knew were investors in Bernie Cornfeld's IOS operation, and lost their shirts," he said.